

# THE BOND BUYER

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## To The Editor: Lockyer: What Muni Bankruptcies?

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Re "Muni vs. Corporate Ratings: It's Not All Black and White," Mr. Lechner raises the specter of "abusive" bankruptcies by municipalities, but fails to cite a single case of such a bankruptcy. Maybe that's because there is no such case.

In testimony during last week's House Financial Services Committee hearing on the municipal bond market, Laura Levenstein of Moody's Investors Service stated that only one general obligation deal rated by Moody's between 1970 and 2006 defaulted. That's one in 36 years. And even in this single, solitary case, the issuer "recovered quickly and paid its obligations in full," she told the committee. So where's the evidence of abusive bankruptcies that would justify a stricter rating standard for government issuers?

Municipal bond rating reform is a serious issue, and there are important points to be made on both sides. But the discussion should be based on facts, not unfounded speculation. The fact is municipal issuers default at much lower rates than corporate issuers. The agencies should base bond ratings on the risk of default, but in the case of municipal issuers they don't. Taxpayers deserve better treatment, and investors deserve the truth.

The voices calling for municipal bond rating reform are growing in number. Seventeen state and local government issuers, including myself and 12 other

State Treasurers, have been joined by the nation's largest public pension fund and leading members of Congress.

Our message to the agencies is simple. Treat taxpayers the same as corporations. Don't make them pay more to finance schools and roads than corporate entities pay when they bundle bonds into fancy, opaque investment vehicles. Rate municipal bonds based on the risk of default. End the double standard and create a unified, global rating approach that treats all issuers equally, and better serves taxpayers and investors. It's not a question of black and white. It's a question of right and wrong.

*Bill Lockyer*

California State Treasurer

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